Islamic Banking Solution
Finacle
from
Infosys
Win in the flat world
CANADA
UNITED STATES OF AMERICA
SOUTH PACIFIC OCEAN
BOLIVIA
COLOMBIA

BUSINESS OVERVIEW

The Islamic banking industry is being redefined and reinvented as banks, the world over, respond to the opportunities presented by this rapidly growing new customer segment with a range of Shariah-compliant products. Assets of financial institutions offering Islamic products and services have soared by almost 25% year-on-year over the past decade, to about USD 300 billion today and projected to reach USD 1 trillion by 2013. Governments and central banks have taken a lead in supervising Islamic banks, encouraging their growth and have passed Islamic banking and insurance laws in their countries.

Today, conventional banks in non-Muslim countries too cannot afford to ignore the growing demand for Shariah-compliant products. They must leverage the wealth of information presented by Shariah scholars who have identified financial solutions that conform to Islamic ethics, and the contractual mechanisms that bind them. A comprehensive Islamic banking solution that provides banks end-to-end functionality to define and offer Shariah-compliant products, will play a very critical role in addressing the needs of the burgeoning Islamic banking segment.

FINACLE ISLAMIC BANKING SOLUTION

Finacle Islamic banking solution offers an integrated and comprehensive approach for banks to define and present Shariah-compliant products to customers. Strong product definition features, support for Islamic accounting and complete traceability for audit differentiate the solution. Completely self-contained, it is replete with the accounting backbone to support back office functionalities and provides Straight Through Processing (STP) capabilities on a SOA platform.

A single solution built on the standard technology infrastructure available for conventional banking, Finacle Islamic banking solution addresses both Islamic banking and international needs. It allows banks to define an organization structure conducive to current requirements while factoring in flexibility to change the structure with scaling business needs. This means Islamic banking can be initiated as an add-on product offering in a branch of choice, and eventually converted to an independent Islamic banking unit, if required. Finacle Islamic banking solution is developed from incisive insight into the Middle East, Far East and European markets, and is truly geared to address region-specific Islamic banking requirements.

FUNCTIONAL ARCHITECTURE

Islamic Banking Solution

Enterprise CRM: Loan Origination | Marketing | Sales | Service | Interaction | Communication Channels | Knowledge Base | 360 Degree View

Product Factory

Liabilities
Mudarabah Term Deposits
Mudarabah Demand Deposits
Wadiah Demand Deposits

Investment Products
Sukuk
Musharaka

Enterprise Customer Information

Assets
Murabaha
Qard Hasan
Ijarah
Istisna
Tawarruq

Trade Services
Murabaha
Bay Al Salam

Functional Services: Standing Orders | Sweeps / Pooling | Payment Systems | Transaction Manager | Limits / Collaterals | Bill Payments | Liquidity Management | Clearing | Inventory | Referral

Reusable Business Components: Profit Module | Exchange Rates | Bank Management | Fees / Charges | Tax | Channel Rules | Discounts / Preferential Pricing | Signature Verification

Accounting Backbone: General Ledger | Multi-currency | Multi-branch

Infrastructure: 24/7 | Multilingual | Finacle Studio | Single Sign On | Integration Framework | Multi-calendar | Access Control | Workflow (BPEL/BPML) | Reporting | Audit | Menu Manager | Batch Job Scheduler

Universal Banking Solution

Channels and Integration
Branch | ATM/POS | Kiosk | Fax | IVR | Call Center | e-mail | Internet | Portal | Mobile
Branch Solution | Inclusion Solution | Call Center Solution | e-Banking Solution | Mobile Banking Solution
SOA Integration Framework (Web Services, MoM)

Enterprise Front-end
Customer Information | CRM | Integrated Alerts | Finanz Tools

Functional Modules

Enterprise Customer Information and CRM

Consumer Banking	Corporate Banking	Treasury	Wealth Management	Islamic Banking
Demand Deposits	Current/Overdrafts	Foreign Exchange	Mutual Funds	Mudarabah
Time Deposits	Commercial Lending	Money Markets	Structured Deposits	Murabaha
Retail Loans	Trade Finance	Securities	Structured Notes	Musharaka
Mortgages		Derivatives		Istisna

Infrastructure and Common Services

Common Services
Master Data/User Definition/Multi-entity/Multi-Calendar/
General Ledger/Multi-currency/Operational Data Store (ODS)

Infrastructure Services
Workflow (BPML)/Reporting and MIS/Security/Finacle Studio/
Communication/Finacle WatchWiz

Allied Solutions
Analyzed Pricing
Regulatory Reporting
Risk Management
Document Imaging
Analytical AML/KYC
Business Intelligence

External World
Payment Networks
Credit Bureaus
Back-end Systems
Regulators
Rating Agencies
Market Feeds
Card Issuers

KEY MODULES

Islamic Asset Products

The module enables the bank to define and offer a range of asset products including Murabaha, Ijarah, Istisna and Tawarruq financing in addition to Qard Hasan.

Key features include the facility to:

- Capture commodity and asset details, including those related to the seller and customer
- Handle purchase and sale transactions of commodity for each of the financing contracts
- Capture the schedule of payment for asset purchase in accordance with the stage of construction or deal
- Define multiple products and modify its parameters
- Track and create asset products using Mudarabah pool-based funds
- Collect upfront profit, rental and amortization for the repayment period
- Apply daily, weekly, fortnightly, monthly, half yearly and yearly frequency-based profit or rent
- Disburse payments in currencies other than the loan account currency for DD, ACH and SWIFT
- Define repayment holidays
- Accept repayments through cash, transfer, PDCs and ACH
- Define and collect late payment charges for installments
- Transfer loan account from one product type to another (as applicable in the case of Istisna) with or without the same account number
- Define mark-up amount in percentage and absolute terms in case of early settlement of loans
- Compute and report profit accrued on loan accounts funded under various pools
- Generate advice for customers

It also supports:

- Accounts with EI and non-EI repayments
- Multi-source repayment of installments
- Corporate and consumer personal loans (as applicable in Tawarruq financing)
- Pool restriction validation at the time of commodity detail specification like project and sector
- Definition and charging of early settlement penalties or incentives for products
- Validation for commodity linkage to an asset account

Islamic Liability Products

The module supports definition and monitoring of Mudarabah investment products and Wadiah demand deposits. These products can be defined using a wide range of parameters.

Key features include support for:

- Demand and time-bound Mudarabah investment products including term deposits, demand deposits and savings bank
- Introduction of multiple products for different market segments
- Opening of time deposit and demand deposit accounts linked to a pool
- Auto-rollover and auto-closure during product definition
- Pre-mature closure with the facility to collect fee
- Reinvestment or distribution of profit depending on whether the deposit is cumulative or dividend based
- Payment of profit for the broken period (between the last profit distribution date and withdrawal date) on the following profit distribution date or on the date of withdrawal, based on the profit rate of the previous period or on an indicative profit rate
- Disposing final proceeds of matured deposits or profit payout in accordance with the agreement during product definition
- Account statements for individual accounts or a combined statement for all accounts of a customer. Customers can exclude and include specified accounts from participating in the combined statement
- Charges collection on overdrawn current account
- Payment of Hibah (gift) for accounts under Wadiah
- Collecting Zakat from deposit accounts based on the threshold tenor and amount

Mudarabah Pool Management and Profit Sharing

The module helps the bank manage funds by accepting deposits and deploying funds appropriately, for financing and investment.

Key features include the facility to:

- Define an Islamic pool to mobilize funds, deploy it and also manage profit distribution for deposits
- Specify a pool as restricted or unrestricted, based on various pre-configured restriction types like country and sector, which are bank-definable parameters
- Specify subscription period for an identified pool
- Define multi-currency pool and track pool balance in individual currencies
- Manage funds shortfall and surplus in a pool through inter-pool or direct treasury investments
- Specify an indicative profit rate for the pool, as the approximate rate applicable to the customer
- Define management fees to be collected for the pool
- Define capital loss provision, profit equalization provision and profit normalization contribution as required by the bank
- Specify profit distribution frequency for a pool
- Define tenor-based profit sharing percentage (between bank and customer)

- Compute profit based on variables like profit and loss from asset investment and inter-pool investment
- Distribute profit to customers based on the cumulative weighted average balance of customer deposits – taking into consideration the tenor of deposit, amount of deposit, number of days the deposit has run as on profit distribution date and the profit sharing ratio.
- Opt for automated or manually defined pool closure. The automated process closes the pool on the pool end date, based on validations

Hijri Calendar

The module builds support for the Hijri calendar into the solution. The calendar, based on the lunar year of 354 days, adjusts the number of days in each month in accordance with the lunar cycle, beginning two days after the new moon. The calendar has Hijrah as its reference point. The two major variants of the calendars are the Saudi calendar (Um Al Qura Calendar) and the Kuwaiti calendar. The Hijri calendar has twelve months, with alternating months of 29 and 30 days, each.

Finacle Islamic banking solution supports the following banking features on this calendar:

- Event processing – financing, deposits and standing instructions
  - Repayment of loan installments
  - Disbursement of loan
  - Deferment
  - Standing instructions
  - Batch jobs based on Hijri dates
- End-user frontend screens
  - Enter and display Hijri date
  - Toggle between Hijri and Gregorian dates
- Customer communication at Hijri-based frequency for advices and statements
- Date Shift – Change in the start of Hijri months based on sighting of the crescent moon is handled through the date shift operation that adjusts events appropriately, based on Hijri dates

ADDITIONAL FEATURES

- Asset provisioning and monitoring
- Standing instructions
- Statements and reports
- Funds transfers
- Common Customer Information File (CIF) across banking channels
- Loan Origination System (LOS)
- Limit and collateral maintenance
- Cheque and account number generation
- Signature verification
- Dual language support
- Multi-entity
- Zakat deduction

BUSINESS BENEFITS

Differentiated Product Spread

Finacle Islamic banking solution offers a flexible and varied feature repertoire for banks to design and deploy products for varying market segments, based on different Islamic concepts including Mudarabah, Murabaha, Ijarah, Istisna and Tawarruq. The solution also offers a wide range of possibilities for business users at the bank to create products and embellish them with innovative features.

Lowered Total Cost of Ownership (TCO)

The solution's custom-definable watertight modules address both international and Islamic banking needs. This empowers banks with the flexibility to define and change the organization structure, offering Islamic banking as an add-on product at a branch of choice, and then converting it to an independent Islamic banking unit, if required. Proven scalability and robust performance for both conventional and Islamic banking are assured. All of this results in significantly lowered TCO for the bank.

Greater Process Efficiency

The solution is powered by the BPEL and BPML compliant workflow engine. This, coupled with high parameterization capabilities, results in greater process efficiency, better risk mitigation and supports rapid roll out of Shariah-compliant products.